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**EX PARTE**

December 10, 1996

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W. Room 222  
Washington, D.C. 20554

RECEIVED  
DEC 10 1996  
Federal Communications Commission  
Office of Secretary

RE: In the Matter of Federal-State Joint Board on Universal Service -  
CC Docket No. 96-45

Dear Mr. Caton,

Today, representatives of US West, Sprint and Pacific Telesis met with representatives of the Commission's Universal Service Branch and member of the Federal-State Joint Board staff regarding the above captioned proceeding. Representing the Universal Service Branch and the Federal-State Joint Board staff were Ms. Emily Hoffnar and Messrs. Paul Pederson, Charles Bolle, Brian Roberts, David Krech, Bob Loube, Whitey Thayer, Bill Sharkey, and Brad Wimmer. Representing US West was Mr. Glenn Brown. Representing Pacific Telesis was Mr. Rex Mitchell. Representing Sprint were Messrs. Jim Sichter, Brian Staihr, and the undersigned.

Discussion centered around the structure of workshops to be conducted in January to review proxy models presented in CC 96-45. The attached information was presented during the meeting.

It is requested that this information be made a part of the record in this matter. Two copies of this letter, in accordance with Section 1.1206(a)(1) of the Commission's Rules and Regulations, are provided for this purpose.

Please call on the above telephone number if there are any questions.

Sincerely,

Warren D. Hannah

Attachment

No. of Copies rec'd  
List ABCDE

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Mr. William F. Caton  
December 10, 1996  
Page 2

c: Mr. David Krech      Ms. Emily Hoffnar      Mr. Whitey Thayer  
Mr. Bob Loube      Mr. Bill Sharkey      Mr. Brad Wimmer  
FCC, Washington, D.C.

Mr. Paul Pederson, Missouri PSC, Jefferson City, MO  
Mr. Charles Bolle, South Dakota PUC, Pierre, SD  
Mr. Brian Roberts, California PUC, Sacramento, CA

Mr. Glenn Brown, US West, Washington, D.C.  
Mr. Rex Mitchell, Pacific Telesis, San Francisco, CA  
Mr. Jim Sichter, Sprint, Fairway, KS  
Mr. Brian Staihr, Sprint, Fairway, KS  
Mr. Jay Keithley, Sprint, Washington, D.C.

# **COST PROXY WORKSHOPS**

**PACIFIC BELL**

**SPRINT**

**U S WEST**

**December 10, 1996**

# **PURPOSE OF WORKSHOPS**

- **TO UNDERSTAND THE FUNCTIONS OF TWO MAJOR MODELS**
  - BENCHMARK COST MODEL 2(BCM2)
  - HATFIELD MODEL
- **TO SUBDIVIDE PROCESS INTO MAJOR FUNCTIONAL AREAS FOR ANALYSIS AND REVIEW**
- **TO DECIDE UPON THE MAJOR ELEMENTS FOR FINAL MODEL**
  - MODEL ARCHITECTURE AND DESIGN FLOW
  - NETWORK DESIGN CRITERIA
  - INPUT DATA ELEMENTS
  - EXPENSE COMPUTATION
- **TO DEVELOP REALITY TESTING PROCEDURES**
- **TO DEVELOP A RECORD TO MAKE AN INFORMED AND SUSTAINABLE DECISION ON PROXY MODELS**

# **MAJOR ELEMENTS OF MODEL**

- **MODEL ARCHITECTURE AND DESIGN FLOW**
  - METHOD OF LOCATING CUSTOMERS
  - METHOD OF INCORPORATING CONSTRUCTION COST FACTORS (e.g., SOIL, TERRAIN, ETC.)
  - METHOD OF ROLLING UP CAPITAL AND EXPENSE COSTS TO THE CBG LEVEL
  - OUTPUT REPORTS
- **NETWORK DESIGN CRITERIA**
  - METHOD OF DESIGNING AND SIZING FEEDER PLANT
  - METHOD OF DESIGNING AND SIZING DISTRIBUTION PLANT (INCLUDING PEDESTAL, DROP AND NID)
  - METHOD OF DESIGNING AND SIZING CENTRAL OFFICE PLANT
  - METHOD OF INCORPORATING ENGINEERING, SPLICING AND OTHER CAPITALIZED COSTS
- **INPUT DATA ELEMENTS**
  - SWITCH COST CURVE AND SUPPORTING DATA
  - CABLE PRICE INPUTS AND SUPPORTING DATA
  - OUTSIDE PLANT STRUCTURE AND PLACEMENT COSTS AND SUPPORTING DATA
  - OTHER MATERIAL PRICE INPUTS AND SUPPORTING DATA
- **EXPENSE COMPUTATION**
  - CUSTOMER SERVICE EXPENSE FACTORS AND SUPPORTING DATA
  - MAINTENANCE EXPENSE FACTORS AND SUPPORTING DATA
  - DEPRECIATION EXPENSE FACTORS AND SUPPORTING DATA
  - RATE OF RETURN AND SUPPORTING DATA

# **REALITY TESTING**

- **Empirical validation of cost estimates**
  - Do suppliers provide equipment at modeled price levels?
  - Do contractors install equipment at models cost levels?
- **Will network provide service at quality standards demanded by regulators**
  - Does network provide sufficient capacity to meet at held order standards demanded by regulators
  - Will network perform at quality levels demanded by regulators

# **SUGGESTED WORKSHOP PROCESS**

## **STEP 1 - ISSUE NOTICE OF HEARINGS**

- TIME, DATE AND PLACE
- DEFINE ISSUES TO ADDRESS
  - DEFINITION OF MINIMUM SERVICE LEVELS
  - MINIMUM SERVICE QUALITY STANDARDS
  - DATA ELEMENTS
  - DESIGN PARAMETERS
  - DOCUMENTATION AND PRESENTATION FORMAT
- CRITERIA FOR MODEL EVALUATION

## **STEP 2 - WORKSHOPS**

### **PHASE I**

- MODEL SPONSOR PRESENTATIONS (DAY 1)
  - 1/2 DAY EACH
  - EXPLAIN BASICS OF MODEL
  - RESPOND TO STAFF ISSUES
- MODEL SPONSOR RESPONSE (DAY 2)
  - QUESTIONS BY STAFF
  - REBUTTAL BY MODEL SPONSORS

# **SUGGESTED WORKSHOP PROCESS (CONTINUED)**

- **PHASE 2 (TWO WEEKS LATER)**
  - PROPOSALS FOR MODEL IMPROVEMENTS
    - INPUT DATA ENHANCEMENTS
    - LOGIC AND DESIGN MODIFICATIONS
  - STATEMENTS BY DESIGNATED STAKEHOLDERS
    - STATE REGULATORS
    - LEC COALITION
    - IXC COALITION
    - FACILITIES-BASED CLEC COALITION
    - CONSUMER COALITION
  - QUESTIONS OF MODEL SPONSORS BY STAKEHOLDERS
  - MODEL SPONSOR SUMMATIONS
- **STEP 3 - WRITTEN COMMENTS BY ALL PARTIES**
  - COMMENTS
  - REPLY COMMENTS



# Project Dependency Pyramid

**USF  
Decision**

**Results Validation**

**Metrics Validation**

Engineering Inputs/Financial Inputs

**Model Validation**

Engineering Rules/Financial Rule Application

**USF Base Assumptions**

Service Quality Standards

Definition of Minimum Service Levels

Technical Standards for Bandwidth, Privacy, Access to IXC's etc.

*Provide  
"List"*